GLOSSARY

Accounting System	- The total set of records and procedures which are used to record, classify, and report information related to the financial status and operation of an organization.
Accrual Accounting	- An accounting method in which income is recognized when earned and expenses are recognized when incurred, whether or not cash is involved.
Activity	- A division of a department.
Appropriation	- A budget approved by the Legislative Assembly which permits officials to incur obligations and to make expenditures. Appropriations are usually made for fixed amounts and are typically granted for a period of one year.
Assets	- Something of value that is owned.
Budget	- An estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates).
Capital Asset	- Property of a relatively permanent nature used in the operations of the government and not intended for sale. Capital assets are also called fixed assets.
Capital Expenditure	- An outlay of government resources, normally not of a recurring or continuing nature, for the purchase or construction of a capital asset, or which increases the value or life expectancy of one.
Capital Projects	- Projects for the purchase or construction of capital assets. Typically a capital project encompasses a purchase of land or equipment and/or the construction of a building or facility.
Consolidated Revenue Fund	- All public monies and revenues over which the Commissioner in council has the power of appropriation. This fund is supported by taxes, fees, and other revenues and may be used for any lawful purpose.

GLOSSARY

Contribution (Expenditure) - A conditional transfer payment made to a recipient, subject to a specified level of accountabilility, and for which the government will not receive goods or services.

Control Objects of Expenditure - Specified control established by the Financial Management Board for the following expenditure categories:

Operations and Maintenance

1. Salaries and Wages
2. Grants and Contributions
3. Other Expenses

Capital

1. Buildings and Works
2. Acquisition of Equipment
3. Grants and Contributions

Deficit - The excess of expenditures over revenues during a single accounting period.

Depreciation - (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence. (2) That portion of the cost of a capital asset which is charged as an expense during a particular period.

Department - A major division in the government.

Departmental Overview - An introduction to a department's programs and responsibilities.

Details of Capital - A list of the department's anticipated capital projects presented by activity in the Capital Main Estimates.

Distribution of Budget - The anticipated regional allocation of departmental budgets.

Estimates (See Also Main Estimates) - The detailed resource requirements for carrying out departmental programs during a fiscal year.

GLOSSARY

Expenditure	- The outflow of funds paid, or to be paid, for an asset acquired or constructed or when goods and services are obtained.
Financial Management Board (FMB)	- The Financial Management Board consists of all members of the Executive Council, and is responsible for financial management and administration of the government. The Financial Management Board was established pursuant to Section 3 of the Financial Adminsitration Act.
Fiscal Framework	- The summation of financial resources available for expenditures during the fiscal year and includes all revenues, recoveries, transfer payments and grants.
Fiscal Year	- Any consecutive 12 month period designated as the budget year. The Government of the Northwest Territories' budget year begins April 1, and ends March 31, of the following calendar year.
Formula-Based Financing	- The method of determining the territorial budget.
GNWT	- Acronym for Government of the Northwest Territories.
Goal	- The ultimate aim towards which a program is directed.
Grant (Expenditure)	- An unconditional transfer payment made to a recipient without a specific accountability for which the government will not receive goods or services.
Infrastructure	- Additional expenditures items on which the continuance and growth of government programs depend (e.g. office space, staff housing, office equipment).
Liability	- Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed or refunded at some future date.

GLOSSARY

Main Estimates (See Estimates)	- The estimates approved by the Legislative Assembly prior to the start of the fiscal year for all departments and agencies of the Government of the Northwest Territories. Generally, these estimates authorize all planned expenditures.
Major Objectives (See Objectives)	- A department's statement of expected results which will be achieved within a specified period.
NWT	- Acronym for Northwest Territories.
NWTHC	- Acronym for Northwest Territories Housing Corporation.
Objective (See Major Objectives)	- A specific "end" which will result in the achievement, or will contribute to the achievement of a goal. It is a statement of expected results which will be achieved within a specified period.
Operation and Maintenance (O&M)	- Expenditures incurred for the ongoing operations of government.
Operating Budget	- The portion of the budget that pertains to daily operations and provides for basic government services. The operating budget contains appropriations for such expenditures as personnel, travel, materials, services, and utilities.
Person Year	- The consumption of manpower resulting from the filling of a position for one year or the equivalent. A person year does not include overtime or assistance obtained under contract for professional or special services.
Program	- Is another term to describe a department.
Recoveries	- Receipts from the public for specific services rendered by the government for the benefit and often at the request of individuals or groups. Examples include, recoveries from Trappers' Assistance, Utility Services, Accommodation Services and Hostels.

GLOSSARY

Regions	- Major geographical sub-divisions in the Northwest Territories. All regions in the territories are represented on the map opposite page (i).
Revenues	- The gross receipts and receivables derived from taxes and other sources. Examples include: fees and charges for goods and services provided by government, regulatory fees, fines, penalties, and investment income.
Revolving Fund	- A fixed level fund composed of money, accounts receivable, inventories, or any combination thereof, authorized for a specific purpose. It is established to provide working capital, and is credited with any related recoveries generated through the operation of the fund.
Special Warrant	- Interim appropriation authorization for urgent additional expenditures when the Legislative Assembly is not in session, pursuant to Section 18, of the Financial Administration Act. A special warrant is approved by the Commissioner on the recommendation of the Financial Management Board.
Standard Objects of Expenditure	- A classification of expense according to the nature of the item. Categories include salaries and benefits, wages and benefits, grants, contributions, travel and transporation, materials and supplies, purchased services, utilities, contract services, fees and payments, and other expenses.
Supplementary Appropriation	- Additional estimates submitted to the Legislative Assembly during the course of the fiscal year to provide for changes in policy and expenditures unforeseen at the time the Main Estimates were prepared.
Transfer	- The movement of appropriations between either standard objects, activities, regions, or programs (departments) authorized by the Financial Management Board. A transfer between programs or votes requires the further authorization of the Legislative Assembly. (See Section 17 of Financial Administration Act).

GLOSSARY

Vote	- A specific segregation of spending authority into a broad category according to intended use; such as, operation and maintenance expenditures or capital expenditures.

BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES

INTRODUCTION

In general terms, the Main Estimates reflect the Government of the Northwest Territories' plan of action for the upcoming fiscal year. Specifically, they represent all anticipated expenditures and all anticipated revenues during a twelve month period, commencing April 1 of a given year.

The Main Estimates are presented to the Legislative Assembly during the Winter session (usually beginning in mid-February). Appropriation authority is sought for the fiscal year which begins April 1. The Budget Address, presented by the Minister of Finance, at the time of presentation of the Main Estimates, is an integral part of the total budget package.

Many individuals and organizations, both from within the government and from the public, as represented by communities and business, have been consulted during the planning and development stages of the budget process. However, the exact content of the Main Estimates is not public until tabled in the Legislative Assembly by the Minister of Finance. Traditionally, the budget presentation process prevents special interest advantages being obtained through advance information on government fiscal initiatives.

The Main Estimates are "voted" by two major categories: Operations & Maintenance; and, Capital.

PROCESS

The Main Estimates process consists of several phases:

1. Fiscal Strategy Development
2. Multi-year Plan Development
3. Multi-year Plan Review and Approval
4. Main Estimates Development Process
5. Finalization of Main Estimates
6. Budget Address Development
7. Presentation to the Legislative Assembly, involving
    a. Standing Committee on Finance (SCOF)
    b. Legislative Assembly
8. Preparation and entry of approved budgets into the Accounting System.

The time required to complete phases 2 through 8 is approximately 15 months. This means that next year's budget process has begun before this one has been completed.

During the course of any given fiscal year, there are two other processes that are used to monitor and adjust the budget:

9. Variance Reporting - Monitoring of Expenditures and Revenues against Budgets
10. Supplementary Estimates.

BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES

1. Fiscal Strategy Development

Under the direction of the Minister of Finance, the Fiscal Policy Division of the Department of Finance prepares a multi-year fiscal framework. The framework is an overview of the projected financial position of the government based on a set of assumptions about revenues, expenditures, and federal transfer payments.

In the development of a fiscal strategy, the framework is used as a modelling tool to project the fiscal position of the government, assuming current policies and trends are maintained, as well as alternate positions based on various policy changes, new policies or new initiatives. This allows the Financial Management Board and Cabinet to assess whether the current mix of expenditures and taxes is appropriate. If the mix cannot be sustained, or change is desired for policy reasons, it allows for an evaluation of alternatives in expenditure, taxation, and borrowing.

Based on the government's current financial position, program objectives and the fiscal alternative chosen, instructions are issued to departments for the development of multi-year plans.

2. Multi-year Plan Development

Two multi-year expenditure plans are developed: one for Operations & Maintenance; and one for Capital.

a. Operations & Maintenance

Individual departments develop and document projections of forced expenditure growth in existing programs on the basis of demographics or utilization trends, possible expenditure reductions, required service level increases and other anticipated changes over the next three years for each departmental program. This is done in accordance with Financial Management Board instructions.

New or expanded programs are justified in relation to government priorities, policy directives, and/or changes to industry norms or national standards.

Program growth, or reductions to programs, that involve "person years" are reviewed by the Interdepartmental Co-ordinating Committee. This ensures that requirements for office space, housing, personnel benefits, and communications have been taken into account by the departments which provide these services.

Departmental plans are submitted to the Financial Management Secretariat for review, analysis, and compilation before presentation to the Financial Management Board.

BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES

b. Capital

Supported by consultation with community organizations and other consultative and needs assessment procedures, departments develop a planning document identifying their capital requirements over the next five years.

Capital includes funding (either new, replacement, or major enhancements) for:

1. Building & Works
2. Equipment - such as vehicles
3. Contributions - such as a contribution to a Municipality for roads or sewers.

The Interdepartmental Committee on Capital Planning; a committee of major capital users (e.g. Public Works & Highways, Municipal & Community Affairs, Government Services and Education); chaired by the Financial Management Secretariat, reviews the proposed Five Year Capital Plan of every department. The committee examines the feasibility, logistics and timing of each project and highlights any incremental O&M impacts resulting from the projects.

3. Multi-year Plan Review and Approval

Departmental multi-year expenditure plans are consolidated by the Financial Management Secretariat and forwarded to the Financial Management Board for review and approval.

The Board reviews the plans, but approves only the upcoming year's plan. This approval forms the basis for the establishment of the next year's departmental Main Estimates targets and is communicated to the departments by a "call letter" that signals the start of the Main Estimates development process.

4. Main Estimates Development Process

The Main Estimates development process is a highly computerized desk top publishing system. The government-wide system is decentralized. Each department has a department specific mini-system for its own use and prepares its own O&M and Capital Estimates documents.

All data is entered into a data base. There is a mandatory level of detail required by this system, but departments may budget at more detailed levels if necessary. Departments may print any or all of their own Main Estimates documents at any time during the development stage.

Previous year's "actual" and "budget" data is provided by the system.

BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Main Estimates system produces six documents:

1. Main Estimates
2. Capital Estimates
3. Three Standing Committee on Finance documents; a capital document, an O&M document and a summarized O&M document
4. Detail Support Document.

All documents are produced from the single data base so that any change is reflected simultaneously in all documents.

On the completion deadline date, all departmental data is merged into a single government data base under the control of the Financial Management Secretariat. Consolidated documents are prepared at this time.

5. Finalization of Main Estimates

The Main Estimates documents are reviewed by the Financial Management Secretariat for uniformity, consistency of presentation and adherence to targets and guidelines.

Draft versions of the documents are prepared and sent to the Financial Management Board for final approval.

After review and conditional approval by the Financial Management Board, requested changes or modifications are made and the final versions are printed as "camera-ready copy" and sent to a commercial printer for completion.

6. Budget Address Development

Under the direction of the Minister of Finance, the Fiscal Policy Division of the Department of Finance drafts the text of the budget address.

The budget address includes an outline of current trends, and anticipated developments and identifies the government plan of action for the upcoming fiscal year.

In addition, the address highlights or announces new tax and program initiatives and their expected impacts on the economy and government revenues or expenditures.

7. Presentation to the Legislative Assembly

a. Standing Committee on Finance

The Standing Committee on Finance (SCOF) meets, prior to the budget being presented to the Legislative Assembly, to review the proposed budget for for the upcoming fiscal year. These meetings are not open to the public.

The documents presented to SCOF are more detailed than those presented to the Legislative Assembly or the public so that the Committee is able

**BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES**

to conduct an in-depth review of the proposed budget.

The Committee reviews the budget over two to three weeks. It then prepares a report for presentation to the Legislative Assembly.

b. Legislative Assembly

Following the presentation of the Budget Address to the Legislative Assembly by the Minister of Finance, the Main Estimates and the Capital Estimates are released to members of the Assembly, the general public, and the media.

Debate on the Budget Address and the Estimates traditionally has taken about four to six weeks.

8. Preparation and entry of approved budgets into the Accounting System

The detailed data base that produced the Main/Capital Estimates is retained in computer files and these files are returned to the departments to prepare the documentation necessary to load the budget detail into the government's accounting system.

This function of budget entry consists primarily of the distribution of the annual budget by months. A number of computer-assisted tools are available to departments for this purpose - e.g. historical records, budget year payroll patterns.

The monthly budget flows are reviewed by the Financial Management Secretariat and budget totals are confirmed against the amounts approved by the Legislative Assembly before transference to the accounting system.

The actual transfer is completely automated and is organized so that departmental budgets are in place on April 1.

9. Variance Reporting - Monitoring of Expenditures and Revenues against Budgets.

During the course of the year, the accounting system produces monthly reports comparing expenditures-to-date, and revenues-to-date, against the budgets-to-date.

In the Operations & Maintenance process, departments must formally respond, quarterly, to the Financial Management Board on the status of their expenditures, and revenues to date, as compared to budget, and provide projections to year end.

The accounting system is fully automated and exercises absolute control at the Vote/Department/Region level. The system will not allow further expenditures by a department if the expenditure will cause the department to exceed its budget. At the activity level, the system issues a warning when an activity

BUDGET PROCESS
OF THE GOVERNMENT OF THE NORTHWEST TERRITORIES

budget is about to be exceeded.

In the capital process, this absolute system control extends to the capital project level. A formal project status review is conducted by the Financial Management Board, quarterly, on a schedule that relates to critical stages of the capital expenditure process.

The variance information and revised year-end projections, obtained through the expenditure and revenue monitoring mechanisms, are used during the year to update the government's overall fiscal framework. Updating the fiscal framework regularly allows the government to track and project changes to overall financing and appropriation authority requirements (ie. Supplementary Estimates).

10. Supplementary Estimates

During the course of any given year, increases may be required to a department's spending authority. This is accomplished by way of Supplementary Estimates. These can be presented to the Legislative Assembly during regular sittings of the House.

In emergency situations, the Financial Management Board may issue a Special Warrant, for advanced spending authority, to allow a department to respond quickly to a new or unforeseen need that meets the criteria of an emergency as defined by the Financial Administration Act. The Special Warrant is included in a subsequent Supplementary Estimate.

Upon approval of Supplementary Estimates by the Legislative Assembly, budget entries are prepared and entered into the accounting system.